


Government of the District of Columbia  
Office of the Chief Financial Officer



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Kwame R. Brown  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer 

**DATE:** February 17, 2012

**SUBJECT:** Fiscal Impact Statement – “Targeted Retirement Distribution  
Withholding Emergency Act of 2012”

**REFERENCE:** Draft legislation shared with the Office of Revenue Analysis on  
February 16, 2012

---

**Conclusion**

Funds are sufficient in the FY 2012 through FY 2015 budget and financial plan to implement the bill.

**Background**

Subtitle VIII (L) of Fiscal Year 2012 Budget Support Act of 2011<sup>1</sup> amended the District’s tax code<sup>2</sup> to allow withholding of District tax at the highest income tax rate on early distributions residents receive from various retirement accounts. The legislative language did not reflect the intent, which was to require withholding from *lump-sum* distributions. This provision was later amended on an emergency basis<sup>3</sup> to clarify that withholding requirements apply to all distributions from applicable plans, so long as the said distributions are subject to withholding of federal taxes. Again, the provision *did not* specify that the withholding requirement applied to lump-sum distributions only.

The bill clarifies that the withholding requirement only applies to lump-sum distributions, defined as distributions that fully exhaust the payee’s entire account balance, exclusive any other tax withholding and any administrative charges and fees.

---

<sup>1</sup> Effective September 14, 2011 (D.C. Law 19-21, 58 DCRM 6226).

<sup>2</sup> D.C. Official Code § 47-1812.08, *Withholding of Tax*.

<sup>3</sup> Retirement Distribution Withholding Emergency Act of 2011 (D.C. Act 19-265, 58 DCR 11242) was enacted on December 22, 2011.

The Honorable Kwame R. Brown

FIS: B19-688 "Targeted Retirement Distribution Withholding Emergency Act of 2012," Draft legislation shared with the Office of Revenue Analysis on February 16, 2012

Financial institutions have already begun implementing the current withholding provision, which applies to a broader set of taxpayers than originally intended. The bill requires that these institutions implement the narrower definition within 5 days of the enactment of this bill.

### **Financial Plan Impact**

Funds are sufficient in the FY 2012 through FY 2015 budget and financial plan to implement the provisions of the bill.

The bill is a technical change that aligns the D.C. Official Code with the intent of the Council and the Mayor. The fiscal impact of the original policy intent as clarified by this bill has already been incorporated in the budget and financial plan.